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18 April 1958

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# CENTRAL INTELLIGENCE BULLETIN



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### DAILY BRIEF

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No

Watch Committee conclusion -- Middle East: A deliberate initiation of hostilities in the Middle East is considered unlikely in the near future. However, serious incidents are likely to recur.

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yes

Rhodesia and Nyasaland: Rhodesia's progress toward racial partnership and political stability received a sharp setback on 17 April when the moderate prime minister of Southern Rhodesia was defeated by a prosegregationist in a special election. This defeat will probably lead to an immediate general election in Southern Rhodesia in which the segregationists are expected to make heavy gains which would result in a heightening of racial tension and an increase in African nationalist activity throughout the federation.

(Map)

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### III. THE WEST

No

\* France - North Africa: President Coty is not expected to name a candidate for the premiership until after the local elections of 20 April. There are some signs of renewed pressure for a call to General De Gaulle, but it has not reached significant proportions. In Tunisia, Bourguiba has publicly raised the possibility of again pressing charges of French aggression in the UN. British Foreign Office officials are concerned over the possibility of new incidents on the Tunisian-Algerian frontier, feeling that right wing elements may have more freedom of action while the government is in a caretaker status.

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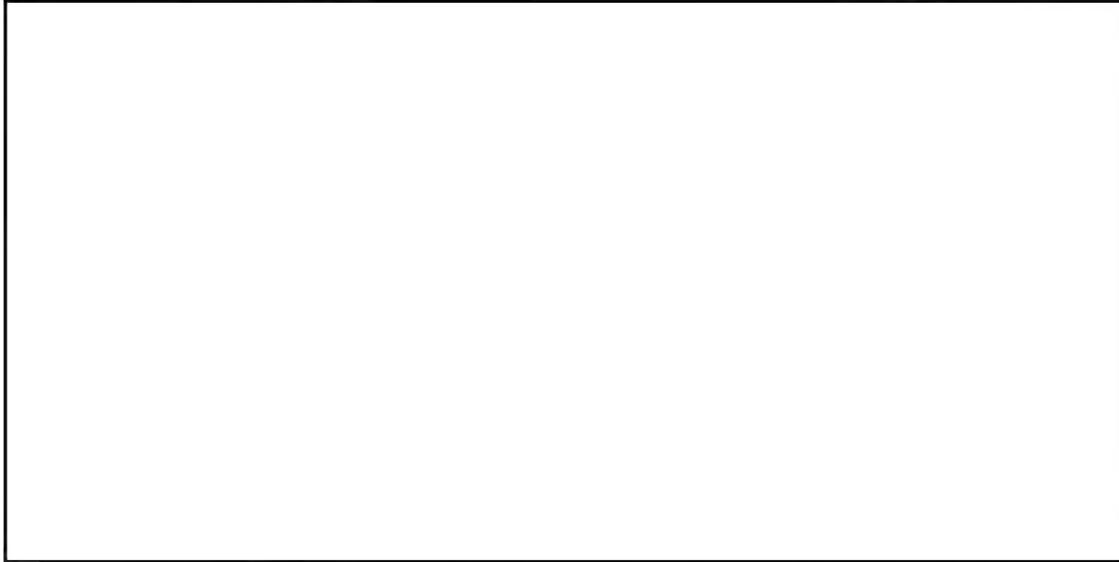
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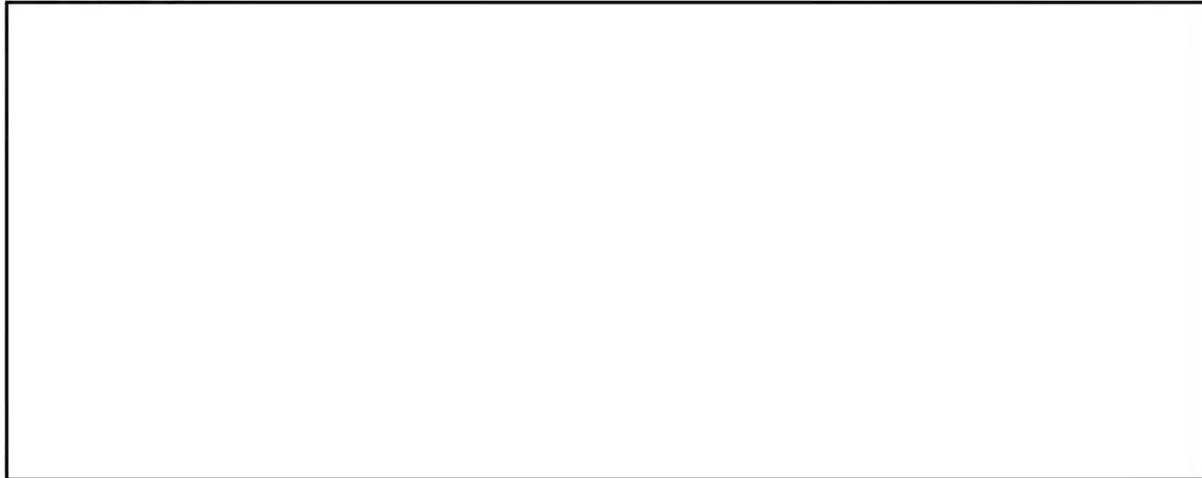
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Watch Committee conclusion -- Indonesia: There is no evidence of Sino-Soviet intention to become militarily involved in Indonesia. Developments continue to favor local Communist and Sino-Soviet bloc exploitation of the situation. A military defeat of the dissidents on Sumatra would not resolve the basic issues which led to the revolt.

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DAILY BRIEF

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*yes*

Iceland: The 20-month-old coalition government of Progressives, Social Democrats, and the Communist-dominated Labor Alliance is approaching a crisis over measures to stabilize the country's inflation-ridden economy. The hard-core Communists within the Labor Alliance appear unwilling to accept a continued wage freeze and favor the party's withdrawal from the government--a move which would cause the government to fall. Although the coalition has weathered serious crises in the past, the possibility of a breakup cannot be ruled out.

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Racial Moderation Suffers Setback in Rhodesian Election

The defeat of Southern Rhodesian Prime Minister Sir Edgar Whitehead in a by-election for the Territorial Assembly on 16 April is a serious blow to the principle of racial partnership and will probably lessen political stability of the Federation of Rhodesia and Nyasaland. Under the constitution, the prime minister must be a member of the territorial legislature. Since he must be elected within four months of his appointment in order to remain in office, he will probably call for immediate general elections in which the opposition Dominion party--which openly supports racial segregation--is expected to make heavy gains.

Southern Rhodesia, keystone territory of the three-member Federation of Rhodesia and Nyasaland, dominates the region's political life. Both Southern Rhodesia and the federation are governed by the moderate United Federal party, which is seriously divided on the racial question and subject to pressure from the growing segregationist opposition. This opposition has won most of the recent by-elections.

In February, Sir Edgar's relatively liberal predecessor was ousted by party members who feared his pro-African sympathies. This ouster destroyed much of the Africans' faith in the professed racial partnership of the ruling party and raised concern in London, which is confronted with growing white settler demands for full independence. The Africans' distrust will now be sharpened by the electorate's repudiation of Sir Edgar, and African dissidents will probably increase their nationalist agitation.

Meanwhile, in the Union of South Africa, the white electorate greatly strengthened the hold of the National party--which believes in rigid segregation--in the general elections there on 16 April.

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## III. THE WEST

Repercussions of Gaillard's Fall

The French National Assembly has resumed its recess to campaign in the local elections scheduled for 20 and 27 April. President Coty is continuing his consultations but is not expected to name his first candidate for premier until Monday to avoid the possibility of having his choice influence Sunday's first-round vote. He may then choose a center candidate such as ex-Premier Pleven in hopes of hastening the necessary compromises between the non-Communist left and right.

The return of General De Gaulle is again being urged by his most ardent supporters but there seems to be no major increase in this pressure. Should ex-Gaullist Soustelle be named as a candidate, however, he might use his investiture attempt to rally support for the general. New Assembly elections have been urged by the conservative National Association of Small Businessmen, but such a move would encounter heavy opposition among the deputies many of whom insist on a prior change in the electoral law.

To allay the impatience of extremists in Tunisia, President Bourguiba will apparently make some early move to raise again charges of French aggression at the UN. Any serious new incidents would almost certainly force him to take immediate action, possibly including steps against French troops. The possibility of such incidents has alarmed British Foreign Office officials. They fear that the present caretaker status of the Gaillard government will give Defense Minister Chaban-Delmas a freer hand and make him increasingly willing to accede to military and rightist pressure. Chaban-Delmas indicated to American officials just before Gaillard's fall that France was about to implement an "eye for an eye" military policy against rebel raids from Tunisia.

In Algeria, there is evidence that some French army officers have again been concerting plans with European civilian extremists aimed at overthrowing the local regime. It is improbable, however, that essential military support for such an operation would be forthcoming. [redacted]

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Crisis in Icelandic Government

Iceland's 20-month-old coalition government of Progressives, Social Democrats, and the Communist-front Labor Alliance may fall as a result of disagreement over how to stabilize the inflation-ridden economy. Since mid-March the cabinet has been trying to formulate a deflationary program short of devaluation which would produce during the remaining eight months of 1958 the approximately \$12,000,000 needed to cover the deficit in the Export Fund.

The government will not resort to a general devaluation of the overvalued currency (16.3 kronur to the dollar), since the Communists resolutely oppose such a move. Consequently, Prime Minister Jonasson is demanding that the Communist-controlled Icelandic Federation of Labor (IFL) accept a continuation of the present wage freeze. The Moscow-Communist wing of the Labor Alliance, however, feels that it must champion labor's demands for higher wages or risk losing control of the IFL as well as suffering further losses in the local unions, and therefore favors withdrawing from the government.

These circumstances may result in a dissolution of the coalition. In the past, however, the Communists have made far-reaching compromises to remain in the government and thus retain their growing influence on the nation's economy and political life.

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